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UNCTAD IV

AND THE

NEW DIPLOMACY OF INTERDEPENDENCE

Report of Senator Ribicoff

TO THE

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UNITED STATES SENATE

Russell B. Long, Chairman

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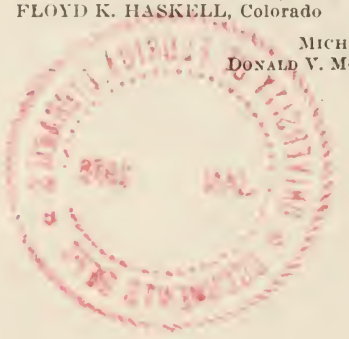

UNCTAD IV AND THE NEW DIPLOMACY OF INTERDEPENDENCE

At the request of Russell Long, Chairman of the Senate Finance Committee, and Henry Kissinger, Secretary of State, last month I traveled to Nairobi, Kenya, to attend the Fourth Session of the United Nations Conference on Trade and Development (UNCTAD) as a Senate delegate. I went to Africa to learn more about the economic problems that have divided the rich and poor nations of the world. While I was there, I also had the opportunity to talk with the leaders of many nations, both rich and poor, and to gain new insights into the conduct of international economic diplomacy—ecopolitics as I have called it for the last several years.

The meeting in Nairobi was the fourth major session of UNCTAD to be held since the organization was founded in 1964. This conference was meant to be a stock-taking of what had been going on around the world in promoting the economic development of the poorer nations. It was also intended to serve as a springboard for new proposals to cope with the predicament of the two-thirds of the world's population who live in the developing world.

UNCTAD IV dealt with economic and political questions. For the leaders of poor countries, the politics and the economics are the same, for they are working with feelings of frustration and national pride in the face of extremes of wealth in other parts of the world.

During the last 20 years the leaders of the developing nations have become skeptical over the ability of the present system to narrow the gap between rich and poor countries. More specifically, the leaders of these nations have become increasingly concerned over the instability of their countries' export earnings and the steady decline in their countries' share of world trade.

The leaders of the developing nations realize that the era of geopolitics, of alliances and defense agreements, is over. They know that we have moved into a new historical period in which ecopolitics has center stage. They are trying to narrow the gap between their nations and the wealthy developed countries by coordinating the economic policies and perspectives of their countries. Because they are economically weak, the developing nations have tried to follow a collective bargaining approach. This "trade union of the poor" has worked hard over the last several years to develop a common line. Their ideas and demands—fueled by longstanding frustration—have gained

momentum as they have met together in Santiago, Lima, New York, Manila, Nairobi, and other major cities of the world. By the time they came to Nairobi, they had unanimously agreed upon several position papers hammered out in Manila three months earlier. Their goals included specific proposals with respect to commodity policy, trade in manufacturers and semi-manufacturers, indebtedness, and transfer of technology.

To me it is very significant that, in seeking a new international economic order, the developing countries are primarily addressing their demands to the United States. We are their objective, and not the communist countries. The reason is simple: the communists have little, aside from guns, to offer the developing world. In a recent New York Times article,[1] Bernard Gwertzman wrote: "Although Communist ideology focuses on aiding the downtrodden to break their shackles, Moscow and Peking have avoided most international efforts to do just that." He continued by saying "Communist aid has always had more strings attached to it than Western aid."

The poor nations of the world have received ideological support from the Communist world, but that kind of support is an extension of geopolitics that has little value in current ecopolitics. So, because of the potential for real economic growth, the developing countries want to enter our economic system; they want a piece of our action. The historic significance of this new reality cannot be overestimated.

We cannot sit by and ignore the calls of the developing countries for economic gains. The reasons are, I believe, compelling. They are rooted in morality, our national security, and our national economic interest. The developing nations are so much poorer than we are. In a world of proliferating nuclear weapons and potentially catastrophic confrontations inequity breeds instability. We must help them because they are our economic partners in a world of increasing economic interdependence. We all know that we depend upon the developing countries as suppliers of basic resources to our economy. But many people are less aware of the fact that they are also a major market for our exports. Developing countries already purchase one quarter of our exports and their potential as a market for our products is enormous. We must help developing countries because by doing so we help ourselves and help insure stability, progress and freedom for mankind.

During the last year, the U.S. has begun to respond to the calls of the poorer nations of the world for a new international economic balance. I believe the U.S. has taken the lead among the developed countries in addressing these issues, largely because of Secretary Kissinger's growing understanding of the economic interdependence of all nations, rich and poor, developed and developing. I find this

[1] Reprinted on page 9.

turn in American policy very encouraging, and I commend the Secretary for the role he has played in bringing it about.

In Nairobi, Secretary Kissinger outlined a new, comprehensive plan for development. Detailed proposals were made to deal with the crucial issues of commodity policy, trade in manufactures and semi-manufactures, the transfer of technology to developing nations and the indebtedness of the poorest nations. At the center of Secretary Kissinger's speech was a proposal for the creation of an international resource bank that would foster investment and help finance the development of new resources in poor nations. Many of these U.S. proposals were well received by the delegations attending UNCTAD IV. Secretary Kissinger's initiatives in Nairobi answered the criticisms of those who questioned the U.S. commitment to helping the developing nations. Our willingness and our desire to welcome those nations into the western economy as partners was clearly demonstrated at UNCTAD IV. Unfortunately, the proposal to create the international resources bank was not fully understood by all of the delegations in Nairobi and was rejected by a vote of 33–31, with almost two-thirds of the delegations abstaining or absent.

Frankly, I think the ideas put forward in Secretary Kissinger's speech in Nairobi were good ideas. I think the fact the U.S. had constructive proposals at UNCTAD IV was due to the efforts of the Secretary of State. The ideas did not flounder because they were bad ideas, or politically untimely ideas. They ran into trouble because we had not done our homework, and because we had not tried to build consensus before formalizing our thinking.

Nonetheless, I do not think that anything was really lost. The U.S. proposals specifically called for further discussions in the Paris Conference on International Economic Cooperation, and in new institutions to be established for discussions of technology. The U.S. idea for a new world resources bank was put forward with the explicit suggestion that the Paris group discuss it first, and then that it be taken up in the World Bank framework in Washington. This was an entirely logical approach.

So I think most of the delegations that abstained or took a walk in Nairobi understood this, and decided to opt out. Otherwise they would have been in a position of committing themselves to something that would be developed in other forums and not at UNCTAD IV. They would have had to endorse the resources bank without knowing all the details.

So the fact the vote seemed to go against the U.S. doesn't concern me very much, if we are serious about pursuing the concept elsewhere. Patience and understanding of the implications of our own tactics and internal disagreements is what we need. Visible irritation is never good diplomacy in ecopolitics.

We must avoid recriminations, and look instead to the future. This is a long, historical process. The outcome will not be determined in a single meeting. We must continue to help the developing countries become full partners in the Western World's economy.

There is a lesson for the United States in the developments which took place in this important conference—especially a lesson in how to conduct ourselves in the new international diplomacy.

The U.S. Delegation arrived with the expectation that Secretary Kissinger's speech would be of historic importance, but the details of the Secretary's proposals were not known, even by the American team, until the very last minute. The State Department briefed many of our trading partners on the U.S. proposal in advance, but my conversations with representatives of other countries suggested that our consultations had been too little, too late, and too selective, with many nations left out. Not surprisingly, no one had time to give the U.S. ideas the same kind of thought that had gone into the position of the developing countries, the product of several years' work.

The day is long past when any nation can attend a major international conference and, with minimal advance preparation or consultation unveil a proposal and expect it to be adopted. To attempt this as the U.S. did in Nairobi is simply not to comprehend the process by which a consensus is nurtured and a common policy agreed upon.

We must learn to consult with others about our ideas before our position becomes final, and we must make much more of an effort to work with and credit the ideas of leaders of other nations. In a world of interdependent nations, every country should have an opportunity to make an imput into policies that will affect them. We must take it upon ourselves to try to create an atmosphere in which other nations know their ideas and views are considered.

To reorient the United States towards the process of consensus, we must also overhaul the decision-making mechanism of U.S. foreign economic policies here at home. The manner in which foreign economic policy is formulated is chaotic and confused. This is obvious to other nations. It was brought to my attention repeatedly by officials of many other nations in Nairobi. It is proper that major policy issues should be the subject of intensive debate and discussion within the Executive Branch and between the Congress and the Administration. But it is inexcusable that the U.S. Government should approach a major international conference, as happened in the case of UNCTAD IV, with its internal differences unresolved and its agencies squabbling. It reflects a breakdown in policy formulation at the highest levels of our Government. No longer can we afford to permit policy disputes to go down to—and beyond—the wire. Most importantly, we

must start sooner next time, do more homework, and nail down more of the details in advance. We must make sure that there is strong, innovative, decisive leadership at the highest levels of our Government, both in the Executive and in Congress.

I do credit Secretary Kissinger for realizing this. He has conferred with Members of Congress and other foreign leaders and has developed a good understanding of the requirements of ecopolitical diplomacy.

We are entering a creative period in the evolution of the world economy. It is a time of opportunity. To achieve a new and enduring economic system, I believe we must realize and learn to deal with the economic interdependence of all nations.

The events of the past few years have taught us that we are no longer insulated from developments in other parts of the world. For better or worse, the nations of the world are finding their economies increasingly subject to events in other countries such as civil war, drought, recession and economic growth.

Our economic system is the greatest economic system in the world. But we must stop kidding ourselves about how it works. It is a free market system, but a free market system subject to extensive government regulations. Are there really any totally free markets, in which governments do not intervene in any way whatsoever? The answer is obviously no. Governments insist on setting the rules of the game—and they should. There is more political intervention in the economies of most other nations than in the United States. Even if we want to maintain a high degree of freedom from governmental influence at home, we must still deal with the political reality that in other nations the people do want some degree of intervention. We must interact with a real world where "free market forces" in the pure sense do not exist, a world in which public policy and private decisions together influence the flow of goods and services throughout the world.

We can learn to manage the problems of economic interdependence and to gain from this new economic relationship between nations, but it will require a coherent foreign economic policy and an unprecedented degree of international economic cooperation. The need to reform the world economic system so that our economies can co-exist through communication and cooperation is clear to all. The question is how and where to begin.

We must find ways of coordinating the process of rich-poor, North-South economic relations. No nation alone can undertake to reshape the relationship between developing countries with any hope of success.

In recent times, our diplomats have continually placed too much emphasis on the "U.S. position," on what the United States wants, or thinks, or says to its economic partners. It is not necessary that the U.S. always be the first to advance a proposal. We must listen more. We must learn that all countries have something to contribute to shaping of a new international economic order. We must realize that a new international framework of cooperation can only succeed if all countries have a sense of participation in its creation and contribution to its development. We must learn to listen to others, to seek domestic and international consensus, to credit the ideas of others, and above all to seek multilateral solutions to international problems.

For a new international economic order to emerge there must first be international consensus. Each nation must come to understand that a new world economic system will serve its long term interest better than the status quo. This will be a difficult realization for many, and it will require patience, persuasion and understanding. If this consensus fails to develop, the world will continue on its present course toward growing crisis and confrontation.

In this context, my impression from my discussions in Nairobi was that the time has come for a European initiative to develop an international approach of collective responsibility for Africa. Since then, President Valery Giscard d'Estaing of France has visited Washington. I gather that in his discussion with President Ford he proposed such a new policy approach for Africa, to be led by Europe but involving the political and economic support of the U.S. as well.

Apparently, our policy makers in Washington, lacking an understanding of the forces of ecopolitics, have been cool in their response to the proposals of the President of France. Consequently, President Ford has been hesitant, which is a great pity. The French have offered to lead at the very time when such leadership is needed by everyone. I believe we should have responded with enthusiasm and support, while leaving the details to be worked out in the months ahead. It was an opportunity to make headway towards creating policies of international collective responsibility for Africa at a time when an initiative of this sort is most needed. This is no time for timidity.

Africa is a vast continent—and its problems are on a comparable scale. Each nation, each region has its own historical roots, its own social and cultural difficulties, its own natural resources and climatic conditions, and its own record of relationships with other parts of the world, especially with Europe. The only policy which can make sense for our country is one which combines common sense, morality, and an appreciation for the inexorable course of history. To understand and to deal with such a widely varying continent, we must have more patience and a greater capacity to listen. We must recognize the his-

toric relationships and emphasize in our own approach the need for collective responsibility.

This is a vital point. The big power confrontation that loomed a short time ago in Africa must be tamped down. The responsibility for political and economic change cannot be carried by anyone outside power. It is neither possible nor desirable for one country to determine Africa's political evolution, shape its destiny or solve all its problems. Those who undertake to do so will soon fail. What we must now do is find a way for all the developed countries to join in a common approach, with collective responsibility, for assisting the African nations. But we must remember our own origins—our nation too was once a colony.

I see in the recent U.S.-African initiatives, the beginnings of a new policy of realism towards Africa and the developed nations as a whole, a policy based on the fundamental elements of ecopolitics—interdependence, consensus, cooperation and understanding.

In my conversations with African leaders, it became strikingly clear that Secretary Kissinger's speech in Lusaka, Zambia, regarding the problems of southern Africa, had scored a great moral victory for our country among black Africans. There is no doubt that this new position has enhanced the prestige of our country in that part of the world and kept our country true to its national ideals of political independence, self-determination, humanitarianism, and human freedom.

Despite embarrassing quarrels at home, the proposals made in Nairobi by Secretary Kissinger represent a major effort by the United States. They did not meet all the requests of the developing world. Nonetheless, the response of the developing countries has not been a discouraging one, in fact, I believe it offers every reason to be greatly encouraged. The U.S. proposals represent a starting point, not a stopping point, for the process of international negotiations. They recognize the political realities that governments are being called on to do something. I support the proposals contained in the Secretary's speech, and I believe that the value of the historic process of negotiation which he has set in motion cannot be overestimated.

The recent African initiatives by the United States represent a new realism about economics and politics. They represent a shift in our foreign policy away from the geopolitics of yesterday and towards the ecopolitics of today and tomorrow. I believe the Secretary of State has recognized the new direction of historical forces, and his recent efforts to innovate in our foreign economic policy should be applauded by all of us.

Thus I have concluded that the developments in UNCTAD, and in Southern Africa, are symptoms of our time—they are part of the new ecopolitics with which we must learn to live, and which we must learn to manage, not alone, but in cooperation with other nations.

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APPENDIX

Developing World Gets More Economic Help From the West—The East's Aid Is Largely Ideological

(By Bernard Gwertzman)

Washington.—In Rome this week, major Western nations and oil-rich Arab states will join together to pledge funds for a $1 billion reserve to help poor countries grow more food. Absent from the proceedings of the International Fund for Agricultural Development will be both the Soviet Union and China.

Their absence is not surprising. Despite the strong political support the Communist powers have routinely given demands of the developing countries, the Communists have provided comparatively little economic assistance of their own to the less developed nations. And although Communist ideology focuses on aiding the downtrodden to break their shackles, Moscow and Peking have avoided most international efforts to do just that.

A few examples illustrate this phenomenon which contradicts the widely held impression that the Communist powers have been vigorously competing with the West to give aid abroad:

In 1975, all the Communist countries spent only $1.2 billion in aid to the developing world. This was only 7 percent of the estimated $16.7 billion in economic aid from the West and 23 percent of the $5.1 billion from the oil-exporting nations.

Ironically, while they loaned $1.2 billion to the developing world, the Communists raised $2.4 billion for themselves in loans in the West in 1975, about twice the amount they sent to the poor countries.

And in the developing world, the Communists gave the most to those who seemed to need it least. Statistics supplied by the Institute for International Policy, a private research organization, and the State Department indicate that oil exporters and better-off countries received 65 percent and poor countries only 29 percent.

Part of the reason the Communist countries have contributed so little to the developing world is that compared to the major Western countries, they lack convertible capital, food surpluses, and a pool of technicians that are permitted to travel abroad. In addition, Communist aid has always had more "strings" attached to it than Western aid, much of which is funnelled through international organs such as The World Bank, which Moscow and Peking boycott.

According to the Washington-based institute, these factors "leave no doubt that if there was a real 'aid race' between East and West in the developing world, the West has won by default." A report by the institute said that the Soviet "aid threat," which was originally perceived in the West in decision in 1956 by Moscow to build the Aswan Dam for Egypt after the United States backed out of the project, proved illusory.

"Of the 61 developing states that have comparison-shopped for Western and Communist aid since 1954, few have gone Communist, and those that have (Cuba and the Indochina countries) did so for historical reasons having little to do with the nature of Communist economic aid," the report said.

"Apart from these countries, all the other developing states still have mixed economies, all still maintain convertible currencies under International Monetary Fund regulations, and none has [taken] the final plunge into Soviet or Chinese-style Socialism—although many of them vote against the United States on a variety of issues in the United Nations," it said.

This fact of life today is not only paradoxical but annoying to many American officials.

On a number of major United Nations issues in the past two years, the United States has come forth with proposals to encourage a dialogue between North and South.

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At the recent United Nations Trade and Development Conference in Nairobi, the United States proposed the formation of an International Resources Bank to facilitate the flow of essential capital management and technology for the development of new resources in the less developed world. But instead of the idea being accepted, it was defeated 33 to 31 with 90 countries not voting. What seemed to irritate the United States the most was that many of the 33 votes against the plan came from the Communists, whose contribution "to the development of the poorer countries of the world is negligible," Secretary of State Henry A. Kissinger and Treasury Secretary William E. Simon noted.

They warned that if the dialogue between developed and developing countries is to succeed, the poorer countries "must not lend themselves to parliamentary manipulation by those states who do not contribute to the development of the poor nations of the world."

The fact that the West and the oil-rich nations are doing more for the poor countries than the Communists inevitably raises the question of why the Communists are nevertheless still able to do as well politically as they do in the developing world.

The answer seems to be that despite the chronic economic needs of the developing countries, many of their leaders often are more concerned with their own domestic political troubles, such as how to remain in power or how to gain influence in other countries than in the day-to-day economic worries of how to feed and clothe their people. As a result, in meetings of the so-called nonaligned bloc, political rhetoric against "imperialism" and "zionism" often substitutes for considered discussion of economic issues.

Another aspect of the subject that may prove important in future years is the attitude of the American Congress to allocating aid. Through the 1950's and 1960's, a major argument for giving aid to developing countries was the threat of Russian and Chinese presence.

With overwhelming evidence now showing that the Communist economic aid is insignificant today, the cold war argument has lost much of its importance. Increasingly, members of Congress may ask why the United States should continue to give assistance, particularly when many of the developing countries still vote regularly against American interests.

But so far, Congress has remained generous and has not argued against the Administration's program for $8 billion in direct aid—of which $5.5 billion would be economic—for the 1977 fiscal year.

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